

Message Text

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PAGE 01 NEW DE 03262 031853Z

64

ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4411

INFO AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DEHI 3262

EO 11652: GDS

TAGS: PFOR, IN, NP

SUBJ: INDO-NEPALESE RELATIONS

REF: KATHMANDU 376

SUMMARY: SENIOR INDIAN AND NEPALESE OFFICIALS HERE
CONFIRM THAT FOREIGN MINISTER CHAVAN, DURING HIS
RECENT VISIT TO KATHMANDU, OBTAINED GON AGREEMENT TO
DEVELOP HYDRO-ELECTRIC AND FLOOD CONTROL PROJECTS ON THE
KARNALIN MAHAKALI, AND RAPTI RIVERS. GOI-GON RELATIONS
ARE SAID TO HAVE IMPROVED MARKEDLY WITH NEPAL'S
ACQUIESCENCE TO THESE PROJECTS. WHILE NEPAL SEEKS SUB-
STANTIAL IMPROVEMENTS TO THE TRADE AND TRANSIT AGREE-
MENT WHICH EXPIRES IN AUGUST, INDIA FINDS THE EXISTING
ARRANGEMENT ESSENTIALLY SATISFACTORY. THE GOI DOES NOT
EXCLUDE THE PMHEDSTVCLKDFWSDECONS
VRING#ITS COMMODITY
PRICING POLICY FOR NEPAL. END SUMMARY.

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PAGE 02 NEW DE 03262 031853Z

1. AS A RESULT OF A SERIES OF MEETINGS DCM-DESIGNATE

JOHN EAVES HAD AKPY SENIOR INDIAN AND NEPALESE OFFICIALS HERE, THE FOLLOWING PICTURE EMERGES CONCERNING THE STATUS OF INDO-NEPALESE RELATIONS. APPARENTLY THE PRINCIPAL OBJECTIVE OF THE VISIT OF FOREIGN MINISTER CHAVAN TO KATHMANDU JAN 19-22 WAS TO OBTAIN A FIRM NEPAL COMMITMENT TO UNDERTAKE THREE IMPORTANT HYDRO-ELECTRIC, FLOOD CONTROL PROJECTS. SENIOR INDIAN AND NEPALESE OFFICIALS HERE STATE THAT CHAVAN OBTAINED WRITTEN GON AGREEMENT TO DEVELOP THE PROJECTS INCLUDING THOSE ON THE KARNALI RIVER. THE MAHAKALI AND RAPTI RIVERS ARE THE SITES FOR THE OTHER PROJECTS. MANY DETAILS REMAIN TO BE WORKED OUT, SOME OF THEM IMPORTANT. THE "TIMES OF INDIA" MARCH 3 REPORTS, AND SOURCES HERE CONFIRM, THAT Y.T. SHAH, SECRETARY OF THE ENERGY MINISTRY. WILL HEAD A TEAM TO VISIT NEPAL SHORTLY. NEPALESE AMBASSADOR MALLA SAID THAT WITH THE GON'S ACQUIESCENCE TO THE RIVER PROJECTS GON-GOI RELATIONS IMPROVED MARKEDLY.

2. THE INDIAN AND NEPALESE HAVE DIVERGENT VIEWS ON THE TRADE AND TRANSIT AGREEMENT WHICH EXPIRES IN AUGUST. THE INDIANS INSIST THAT THERE ARE NO SERIOUS TRANSIT PROBLEMS AND THAT NEPAL HAS ALL THAT IT LEGITIMATELY CAN DEMAND, NAMELY THAT IT ENJOYS THE SAME PRIVILEGES AND SUFFERS THE SAME PROBLEMS AS INDIAN NATIONALS. WHILE GOI OFFICIALS ACKNOWLEDGE THE PROBLEMS NEPAL HAS IN USING THE CALUCTTA PORT, THEY INDICATE THERE IS LITTLE THAT CAN BE DONE. JOINT SECRETARY IN THE COMMERCE MINISTRY A.N. VARMA POINTED OUT THAT NEPAL HAS YET TO CONSTRUCT WAREHOUSES ON THE LAND ALLOCATED TO IT IN THE CALUCTTA PORT. ACCORDING TO VARMA, THE GOI HAS NOT YET BEGUN TO PREPARE FOR NEGOTIATIONS ON THE TRADE AND TRANSIT AGREEMENT AND HAS NOT YET DECIDED WHETHER TO SEEK A RENEWAL OF THE PRESENT AGREEMENT OR TO PROPOSE A NEW DRAFT. VARMA DID NOT RULE OUT THE POSSIBILITY THAT IN THE CONTEXT OF THE TRADE AND TRANSIT AGREEMENT NEGOTIATIONSSINDIA MIGHT RECONSIDER ITS PRESENT COMMODITY PRICING POLICY. HE DENIED, HOWEVER, THAT CHARGING NEPAL THE SAME PRICES FOR COAL, CEMENT AND IRON ANDSTEEL AS WERE PAID BY OTHER NEIGHBORING COUN-

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PAGE 03 NEW DE 03262 031853Z

TRIES IMPOSED ANY REAL HARDSHIP ON NEPAL BECAUSE OF THE SMALL QUANTITIES INVOLVED. HE POINTEDOUT THE DIFFICULTY IN ENFORCING THE CURRENT PRICE POLICY BECAUSE OF SMUGGLING. OFFICIAL IMPORTS OF COAL BY NEPAL, FOR EXAMPLE, HAD BEEN REDUCED TO NIL THIS YEAR, BUT VARMA WAS CONFIDENT THAT NEPAL USED AS MUCH INDIAN COAL THIS WINTER AS IN THE PAST.

3. THE NEPALESE BELIEVE THERE IS CONSIDERABLE SCOPE FOR IMPROVING THE TRADE AND TRANSITSAGREEMENT. AMBASSADOR MALLA PARTICULARLY COMPLAINED ABOUT THE ONE-SIDED TRADE BALANCE IN INDIA'S FAVOR. HE ACKNOWLEDGED, HOWEVER, THAT THIS WAS A PROBLEM FOR ALL THE NEIGHBORING COUNTRIES.

4. MEA JOINT SECRETARY N.N, JHA AGREED THAT THE AGREEMENT ON THE RIVER PROJECTS HAD SYMBOLIZED A SIGNIFICANT SHIFT IN NEPALI ATTITUDE AS COMPARED WITH THE LAST TEN YEARS, BUT ADDED IT REMAINED TO BE SEEN HOW RAPIDLY PROGRESS WAS MADE. HE DEFENDED THE INDIAN DECISION TO CENTRALIZE PURCHASE OF NEPALI RICE THROUGH THE FOOD CORPORATION OF INDIA RATHER THAN ALLOWING NEPAL TO SELL TO THE HIGHEST PRIVATE (OR INDIVIDUAL STATE) BIDDER. THE INDIANS WERE PREPARED TO OFFER A "FAIR PRICE," PERHAPS UP TO RS. 170/A QUINTAL, WHICH WAS DOUBLE THE ACTUAL PRICE OF PADDY AS PURCHASED IN NEPAL. HE NOTED THAT THE NUMBER OF NEPALI STUDENTS ACCEPTED IN INDIAN UNIVERSITIES EACH YEAR HAD DROPPED OFF IN 1975 TO 150 AS COMPARED WITH 350 IN PREVIOUS YEARS, AND THOUGHT THE LOWER FIGURE WOULD BE MAINTAINED IN 1976 BECAUSE OF INSUFFICINET PLACES IN INDIAN INSTITUTIONS.

5. ASKED ABOUT THE ACTIVITIES OF THE NEPALI CONGRESS IN INDIA, AMBASSADOR MALLA SAID THAT THERE WERE STILL CASES OF MUNITIONS BEING BROUGHT INTO NEPAL. HE DID NOT, HOWEVER, SEEM SERIOUSLY CONCERNED. NEHRU UNIVERSITY PROFESSOR L.S. BARAL, A NEPALI IN TOUCH WITH NEPALI CONGRESSMEN IN INDIA, DENY THAT THE PARTY WAS AT ALL ACTIVE.

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PAGE 04 NEW DE 03262 031853Z

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